

**PROCEEDING BEFORE THE HONORABLE JANE L. CLINE,
INSURANCE COMMISSIONER OF THE
STATE OF WEST VIRGINIA**

**IN RE:
LIBERTY INSURANCE CORPORATION
LIBERTY MUTUAL INSURANCE COMPANY**

**ADMINISTRATIVE PROCEEDING
NUMBERS 09-MC-THP-02004 & 09-MC-THP-02005**

**ORDER DIRECTING
CORRECTIVE ACTION AND ASSESSING PENALTY**

NOW COMES, The Honorable Jane L. Cline, Insurance Commissioner of the State of West Virginia, and issues this Order which directs that corrective action be implemented and assesses a penalty against LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY as a result and final enforcement of the findings contained in the Report of Market Conduct Examination for the targeted examination of LIBERTY INSURANCE CORPORATION for the examination period ending June 30, 2007 based upon the following findings, to wit:

PARTIES

1. The Honorable Jane L. Cline is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing, among other duties, the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. LIBERTY INSURANCE CORPORATION IS an Illinois domestic insurer authorized by the Insurance Commissioner to transact property and casualty insurance in the State of West Virginia as permitted under Chapter 33,

Article 1 of the West Virginia Code.

3. Additionally, LIBERTY INSURANCE CORPORATION is authorized to transact insurance in fifty one (51) other jurisdictions.

4. LIBERTY MUTUAL INSURANCE COMPANY is domiciled in Massachusetts and authorized to transact insurance in 51 other jurisdictions.

FINDINGS OF FACT

1. A Targeted Market Conduct Examination concerning claims treatment of LIBERTY INSURANCE CORPORATION for the one year period ending June 30, 2007, was conducted in accordance with West Virginia Code Section 33-2-9(c) by examiners duly appointed by the Insurance Commissioner.

2. The targeted exam was triggered by an adverse finding in a consumer hearing styled Loretta Hill v. Liberty Insurance Corporation. A subsequent violation was found against Liberty Mutual Insurance Company in a consumer hearing styled Kristine James v. Liberty Mutual Insurance Company. Since the subsequent violation occurred in a relevant time frame of the Liberty Insurance Corporation issue, the two matters are herein combined for final enforcement purposes.

3. On July 8, 2008, the examiner filed with the Insurance Commissioner, pursuant to West Virginia Code Section 33-2-9(j)(2), a Report of Market Conduct Examination regarding LIBERTY INSURANCE CORPORATION.

4. On July 9, 2008, a true copy of the Report of Market Conduct Examination was sent to LIBERTY INSURANCE CORPORATION by certified and electronic mail and was received by LIBERTY INSURANCE CORPORATION on July 9, 2008. A certified mail, return receipt requested, and

was also delivered and acknowledged by the Company. .

5. On July 9, 2008, LIBERTY INSURANCE CORPORATION was notified that, pursuant to West Virginia Code Section 33-2-9(j) (2), it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission or objection with the Insurance Commissioner.

6. The Report of Market Conduct Examination included violations of West Virginia Code sections 33-11-4(9) (c), as well as violations of West Virginia Code of State Rules, sections 114-14-6.17, 114-14-6.12 and 114-14-6.7

7. On August 19, 2008, LIBERTY INSURANCE CORPORATION responded to the Report of Market Conduct Examination disputing certain facts pertaining to findings, comments, results, observations, or recommendations contained in the Report of Market Conduct Examination

8. In consideration of LIBERTY INSURANCE CORPORATION'S response, the Commissioner's examiners made certain modifications to the Report of Market Conduct Examination (attached hereto as Exhibit A).

9. The Modified Report of Market Conduct Examination included violations violations of West Virginia Code sections 33-11-4(9) (c), as well as violations of West Virginia Code of State Rules, sections 114-14-6.17, 114-14-6.12 and 114-14-6.7.

10. The violations of West Virginia Code sections 33-11-4(9) (c), as well as violations of West Virginia Code of State Rules, sections 114-14-6.17 and 114-14-6.7 occurred with such frequency as to be construed as failures of the standards according to guidelines set forth in Chapter

15 of the NAIC Market Regulation Handbook.

11. The Commissioner entered an Order dated March 23, 2009 which was the result of an agreement between the Commissioner and LIBERTY INSURANCE CORPORATION to adopt only the Report of Market Conduct Examination in its entirety.

12. LIBERTY INSURANCE CORPORATION specifically objected in the AGREED ORDER ADOPTING THE REPORT OF MARKET CONDUCT EXAMINATION to the applicability of certain NAIC standards to the findings of fact and subsequent conclusions of law that would result in the Commissioner's enforcement authority as a result of the findings of this Report of Market Conduct Examination. LIBERTY INSURANCE CORPORATION further objected to the correlation of error tolerance standard failures and any finding by the Commissioner of an unfair trade practices act violation.

13. LIBERTY INSURANCE CORPORATION waived notice of administrative hearing, any and all rights to an administrative hearing and to judicial review of the matters contained in the AGREED ORDER ADOPTING THE REPORT OF MARKET CONDUCT EXAMINATION. However, LIBERTY INSURANCE CORPORATION as well as the Commissioner therein reserved all additional rights, administrative relief requests, and appellate rights concerning any enforcement Order that is entered as a result of the Report of Market Conduct Examination.

14. The intent of this Order is to finalize administrative proceedings

where in a violation occurred and required a third party targeted examination. LIBERTY INSURANCE CORPORATION and LIBERTY MUTUAL INSURANCE COMPANY have both agreed by consent to enter into this Order of the Commissioner and/or not contest the enforcement of the same for a global resolution of all issues arising under this third party administrative process under West Virginia Code Chapter 33, Article 11, Section 4a.

15. Any Finding of Fact that is more properly a Conclusion of Law is hereby adopted as such and incorporated in the next section.

CONCLUSIONS OF LAW

1. The Insurance Commissioner has jurisdiction over the subject matter of and the parties to this proceeding.
2. This proceeding is pursuant to and in accordance with West Virginia Code Section 33-2-9.
3. The violations of West Virginia Code of State Rules, Sections 114-14-6.17 and 114-14-6.7 have occurred with such frequency as to constitute a general business practice under the provisions of West Virginia Code, Section 33-11-4a (e). Further, under West Virginia Code, Chapter 33, Article 11, Section 4a(f), the Commissioner finds that the actions of LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY constitute a general business practice based upon the existence of substantially similar violations in a number of separate claims or causes of action. Further, the adjusting policies of LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY appear to be similar in design and

implementation and neither LIBERTY INSURANCE CORPORATION nor LIBERTY MUTUAL INSURANCE COMPANY contest moving forward with this Order Directing Corrective Action and Assessing Penalty against both entities while reserving their respective objections to the appropriate standard for determination of a general business practice. The parties do concede that this Order Directing Corrective Action and Assessing Penalty is appropriately directed at both legal entities named herein and there is no mistake as to appropriate parties to this agreement.

4. As to paragraph number 3, LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY do not concede, agree to, or accept the Commissioner's determination that this conduct rises to a general business practice. LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY do not admit any liability, violation thereto, or make any other admission thereto. However, for purposes of moving forward in this matter, LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY do not contest the right of the Commissioner to direct corrective action and assess a penalty for the conduct so discussed herein and the Report of Market Conduct Examination. LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY will abide by the Commissioner's Order and will not contest the issue further.

5. The Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code of State Rules, Sections 114-14-6.7 and 114-14-6.17 by LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY as well as all other provisions of regulation

that LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY is subjected to by virtue of their Certificate of Authority to operate in the State of West Virginia.

6. There does not appear to be any intentional conduct exhibited by LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY in this examination findings and scope nor did the Report of Market Conduct Examination result in any finding of adverse economic impact to the claimants involved in the review.

7. Any Conclusion of Law that is more properly a Finding of Fact is hereby incorporated as such.

8. Only third party claims were reviewed during the scope of this examination. Therefore, any findings enumerated in the Report of Market Conduct Examination were strictly limited to third party claims only. The manner in which LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY has handled claims submitted by its policyholders is not relevant nor within the scope of this Report of Market Conduct Examination nor should be interpreted as such. The terms of this Order do not apply nor should be construed to imply that they are applicable to first party insurance claims.

ORDER

Pursuant to West Virginia Code Section 33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, LIBERTY INSURANCE CORPORATION'S Response thereto, and

LIBERTY MUTUAL INSURANCE COMPANY'S consent to be a part of this Order Directing Corrective Action and Assessing Penalty, the Insurance Commissioner enters the following Order against LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY as set forth below.

It is accordingly **ORDERED** as follows:

A. It is **ORDERED** that LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY will **CEASE AND DESIST** from failing to comply with the Statutes, Rules and regulations of the State of West Virginia concerning any claims so handled in this State and more specifically the provisions enumerated herein this Order.

B. It is further **ORDERED** that LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY shall continue to monitor its Compliance with West Virginia Code of State Rules, Sections 114-14-6.7 and 114-14-6.17 and provide reports of compliance, as part of the required Corrective Action Plan, not less frequently than each calendar quarter for a period of one (1) year from the date of this order unless extended by the Commissioner by providing thirty (30) days written notice to LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY.

C. It is further **ORDERED** that within thirty (30) days of the LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY'S next regularly scheduled meeting of its Board of Directors, LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY shall file with the West Virginia Insurance Commissioner, in accordance with West Virginia Code Section 33-2-9(j)(4), affidavits executed by each of its directors stating under oath

that they have received a copy of the adopted Report of Market Conduct Examination and a copy of this ORDER DIRECTING CORRECTIVE ACTION AND ASSESSING PENALTY and the previously entered AGREED ORDER ADOPTING REPORT OF MARKET CONDUCT EXAMINATION..

D. It is further **ORDERED** that LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY shall ensure future compliance with the West Virginia Code and the Code of State Rules and to the extent possible; cure, remediate or retribute those violations and deficiencies identified in the Report of Market Conduct Examination.

E. It is further **ORDERED** that LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY shall file a Corrective Action Plan which will be subject to the approval of the Insurance Commissioner. The Corrective Action Plan shall detail LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY'S changes to its procedures and/or internal policies to ensure compliance with the West Virginia Code and incorporate all recommendations of the Insurance Commissioner's examiners and address all violations specifically cited in the Report of Market Conduct Examination. The Corrective Action Plan outlined in this Order must be submitted to the Insurance Commissioner for approval within thirty (30) days of the entry date of this Agreed Order. LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY shall implement reasonable changes to the Corrective Action Plan if requested by the Insurance Commissioner within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan. The Insurance Commissioner shall provide notice to LIBERTY INSURANCE CORPORATION &

LIBERTY MUTUAL INSURANCE COMPANY if the Corrective Action Plan is disapproved and the reasons for such disapproval within thirty (30) days of the Insurance Commissioner's receipt of the Corrective Action Plan.

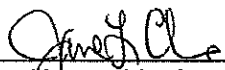
F. The Insurance Commissioner has determined and it is **ORDERED** that **LIBERTY INSURANCE CORPORATION** shall pay an administrative penalty to the State of West Virginia in the amount of **Ten Thousand Two Hundred and Fifty Dollars (\$10,250.00)** for non-compliance with the West Virginia Code as described herein. It is further **ORDERED** that **LIBERTY MUTUAL INSURANCE COMPANY** shall pay an administrative penalty to the State of West Virginia in the amount of **Two Thousand Seven Hundred and Fifty Dollars (\$2,750.00)** for non-compliance with the West Virginia Code as described herein. The payment of this administrative penalty is in lieu of any other regulatory penalty or remedy, and is due within thirty (30) calendar days upon execution of this order.

G. It is further Ordered that this Order be limited in scope and context to this Targeted Market Conduct exam and should not be interpreted as being anything more conclusive than an examination conducted of its third party claims files. No first party claims were reviewed herein this examination nor in the scope of this inquiry. **LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY** herein do not admit liability, violation, or other wrongdoing except as contained herein this Agreed Order or attached hereto in the Report of Market Conduct Examination. The findings are not intended to be used as precedent for any such additional causes of action or proceedings. **LIBERTY INSURANCE CORPORATION & LIBERTY MUTUAL INSURANCE COMPANY** shall immediately implement a Corrective Action Plan as described

herein.

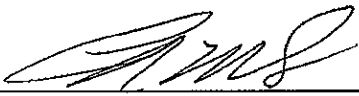
H. It is finally ORDERED that all such notices, administrative hearings and appellate rights required by statutory code are herein waived concerning this Order Directing Corrective Action and Assessing Penalty as against LIBERTY INSURANCE CORPORATION and LIBERTY MUTUAL INSURANCE COMPANY.

Dated this 15th day of July, 2009.


The Honorable Jane L. Cline
Insurance Commissioner

REVIEWED AND AGREED TO BY:

On behalf of the INSURANCE COMMISSIONER:


Andrew R. Pauley, Associate Counsel
Attorney Supervisor, APIR

Dated: 7/13/09

On Behalf of LIBERTY INSURANCE CORPORATION:

By: Nector David Reyes
Print Name

Its: Regional Director, Market Conduct Services

Signature: Nector David Reyes

Date: July 1, 2009

On Behalf of LIBERTY MUTUAL INSURANCE COMPANY:

By: Nector David Reyes
Print Name

Its: Regional Director, Market Conduct Services

Signature: Nector David Reyes

Date: July 1, 2009

**PROCEEDING BEFORE THE HONORABLE JANE L. CLINE,
INSURANCE COMMISSIONER OF THE
STATE OF WEST VIRGINIA**

**IN RE:
LIBERTY INSURANCE CORPORATION**

**ADMINISTRATIVE PROCEEDING
NUMBER 09-MAP-02001**

**AGREED ORDER ADOPTING REPORT OF
MARKET CONDUCT EXAMINATION**

NOW COMES, the Honorable Jane L. Cline, Insurance Commissioner of the State of West Virginia, and hereby issues this Agreed Order which adopts the Report of Market Conduct Examination for the targeted examination of Liberty Insurance Corporation hereinafter referred to as "LIBERTY" for the examination period ending June 30, 2007 based upon the following findings, to wit:

PARTIES

1. The Honorable Jane L. Cline is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing, among other duties, the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. LIBERTY is an Illinois domestic insurer authorized by the Insurance Commissioner to transact property and casualty insurance in the State of West Virginia as permitted under Chapter 33, Article 1 of the West Virginia Code.

3. Additionally, LIBERTY is authorized to transact insurance in fifty one (51) other jurisdictions.

FINDINGS OF FACT

1. A Targeted Market Conduct Examination concerning claims treatment of LIBERTY for the one year period ending June 30, 2007, was conducted in accordance with West Virginia Code Section 33-2-9(c) by examiners duly appointed by the Insurance Commissioner.
2. On July 8, 2008, the examiner filed with the Insurance Commissioner, pursuant to West Virginia Code Section 33-2-9(j)(2), a Report of Market Conduct Examination.
3. On July 9, 2008, a true copy of the Report of Market Conduct Examination was sent to LIBERTY by certified and electronic mail and was received by LIBERTY on July 9, 2008. A certified mail, return receipt requested, and was also delivered and acknowledged by the Company.
4. On July 9, 2008, Liberty was notified that, pursuant to West Virginia Code Section 33-2-9(j) (2), it had thirty (30) days after receipt of the Report of Market Conduct Examination to file a submission or objection with the Insurance Commissioner.
5. The Report of Market Conduct Examination included violations of West Virginia Code sections 33-11-4(9) (c), as well as violations of West Virginia Code of State Rules, sections 114-14-6.17, 114-14-6.12 and 114-14-6.7.
6. On August 19, 2008, LIBERTY responded to the Report of Market Conduct Examination ("Liberty's Response") disputing certain facts pertaining to findings, comments, results, observations, or recommendations contained in the

Report of Market Conduct Examination

7. In consideration of LIBERTY'S response, the Commissioner's examiners made certain modifications to the Report of Market Conduct Examination (attached hereto as Exhibit A).

8. The Modified Report of Market Conduct Examination included violations of West Virginia Code sections 33-11-4(9) (c), as well as violations of West Virginia Code of State Rules, sections 114-14-6.17, 114-14-6.12 and 114-14-6.7.

9. The violations of West Virginia Code sections 33-11-4(9) (c), as well as violations of West Virginia Code of State Rules, sections 114-14-6.17 and 114-14-6.7 occurred with such frequency as to be construed as failures of the standards according to guidelines set forth in Chapter 15 of the NAIC Market Regulation Handbook.

10. LIBERTY specifically objects to the applicability of certain NAIC standards to the findings of fact and subsequent conclusions of law that would result in the Commissioner's enforcement authority as a result of the findings of this Report of Market Conduct Examination. LIBERTY further objects to the correlation of error tolerance standard failures and any finding by the Commissioner of an unfair trade practices act violation.

11. LIBERTY waives notice of administrative hearing, any and all rights to an administrative hearing and to judicial review of the matters contained solely in the Report of Market Conduct Examination.

12. LIBERTY as well as the COMMISSIONER herein reserves all

additional rights, administrative relief requests, and appellate rights concerning any enforcement Order that is entered as a result of the Report of Market Conduct Examination.

13. Any Finding of Fact that is more properly a Conclusion of Law is hereby adopted as such and incorporated in the next section.

CONCLUSIONS OF LAW

1. The Insurance Commissioner has jurisdiction over the subject matter of and the parties to this proceeding.

2. This proceeding is pursuant to and in accordance with West Virginia Code Section 33-2-9.

3. The Commissioner is charged with the responsibility of verifying continued compliance with West Virginia Code of State Rules, Sections 114-14-6.17 and 114-14-6.7 by LIBERTY as well as all other provisions of regulation that LIBERTY is subjected to by virtue of their Certificate of Authority to operate in the State of West Virginia.

4. There does not appear to be any intentional conduct exhibited by LIBERTY in this examination findings and scope.

5. Any Conclusion of Law that is more properly a Finding of Fact is hereby incorporated as such.

6. Only third party claims were reviewed during the scope of this examination. Therefore, any findings enumerated in the Report of Market Conduct Examination were strictly limited to third party claims only. The manner in which Liberty has handled claims submitted by its policyholders is not relevant

nor within the scope of this Report of Market Conduct Examination nor should be interpreted as such. The terms of this Order do not apply nor should be construed to imply that they are applicable to first party insurance claims.

ORDER

Pursuant to West Virginia Code Section 33-2-9(j)(3)(A), following the review of the Report of Market Conduct Examination, the examination work papers, and Liberty's Response thereto, the Insurance Commissioner and LIBERTY have agreed to enter into this Agreed Order adopting the Report of Market Conduct Examination.

It is accordingly **ORDERED** as follows:

(A) The Report of Market Conduct Examination of LIBERTY for the period ending June 30, 2007 is hereby **ADOPTED** and **APPROVED** by the Insurance Commissioner;

(B) It is further **ORDERED** that within thirty (30) days of LIBERTY'S next regularly scheduled meeting of its Board of Directors, LIBERTY shall file with the West Virginia Insurance Commissioner, in accordance with West Virginia Code Section 33-2-9(j)(4), affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report of Market Conduct Examination and a copy of this **AGREED ORDER ADOPTING REPORT OF MARKET CONDUCT EXAMINATION**.

(C) It is further **ORDERED** that this Agreed Order be limited in scope and context to this Targeted Market Conduct exam and should not be interpreted as being anything more conclusive than an examination conducted of its third party

claims files. No first party claims were reviewed herein this examination nor in the scope of this inquiry. LIBERTY herein does not admit liability, violation, or other wrongdoing except as contained herein this Agreed Order or attached hereto in the Report of Market Conduct Examination. The findings are not intended to be used as precedent for any such additional causes of action or proceedings.


(D) It is finally **ORDERED** that LIBERTY waives notice of administrative hearing, any and all rights to an administrative hearing and to judicial review of the matters contained solely in the Report of Market Conduct Examination. LIBERTY as well as the COMMISSIONER herein reserves all additional rights, administrative relief requests, and appellate rights concerning any enforcement Order that is entered as a result of the Report of Market Conduct Examination.

Entered this 23rd day of March, 2009.


The Honorable Jane L. Cline
Insurance Commissioner

REVIEWED AND AGREED TO BY:

On behalf of the INSURANCE COMMISSIONER:

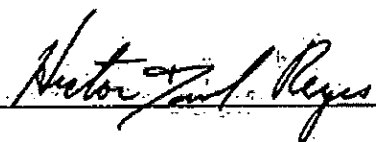

Andrew R. Pauley, Associate Counsel
Attorney Supervisor, APIR

Dated: 3-23-09

On Behalf of LIBERTY:

By: Hector D. Reyes
Print Name,

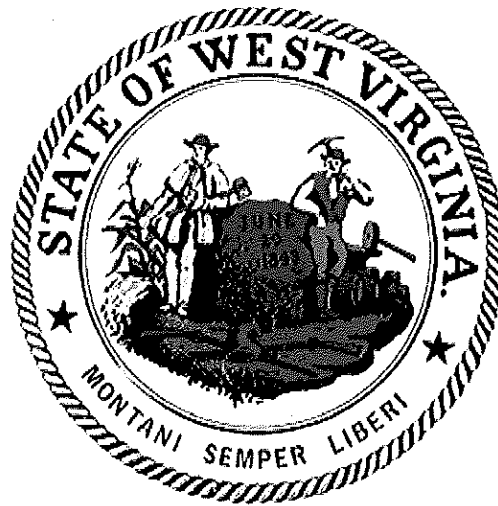
Its: Regional Director, Market Conduct Services

Signature: 

Date: March 12, 2009

Report of Market Conduct Examination

As of June 30, 2007



Liberty Insurance Corporation

175 Berkeley Street
Boston, Massachusetts 02117-0140

NAIC COMPANY CODE 42404
Examination Number WV014-M8

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September 5, 2008

The Honorable Jane L. Cline
West Virginia Insurance Commissioner
1124 Smith Street
Charleston, West Virginia 25301

Dear Commissioner Cline:

Pursuant to your instructions and in accordance with W. Va. Code § 33-2-9, an examination has been made as of June 30, 2007 of methods of doing business of:

Liberty Insurance Corporation
175 Berkeley Street
Boston, Massachusetts 02117-0140

Hereinafter referred to as the "Company". The following report of the findings of this examination is herewith respectfully submitted.

EXECUTIVE SUMMARY

This examination is the first market conduct examination of Liberty Insurance Corporation conducted by the State of West Virginia. The examination began January 7, 2008, and concluded on March 11, 2008 was conducted primarily at the West Virginia Offices of the Insurance Commissioner. The examination was called as a result of the Final Order entered in Administrative Proceeding No. 06-THP-148 which found that Liberty Insurance Corporation committed an unfair claims settlement practice by violating W. Va. Code St. R. § 114-14-6.7 (2006) wherein the Company failed to send a proper and timely notice of delay of investigation of a claim. W. Va. Code § 33-11-4A(e) & (f) implies that upon any finding that a company committed an unfair claims settlement practice with respect to a third party claimant, that the Commissioner determine whether or not that practice occurred with such frequency as to be construed as a general business practice of the Company. In this case, the Commissioner determined that the most efficient way to make this determination was through a targeted Market Conduct Examination. The examination primarily focused on third party claims handling with particular attention paid to areas, which required the Company to contact the claimant during the claims handling process. These areas are encompassed within Standards G1, G2, G3, G6, G-9 and G-11 of this report. Certain Standards from the Company Operations and Management Section, and Complaint Handling Section of the Market Regulation Handbook were also included within this examination report.

A total of sixteen (16) standards were reviewed during this examination. Of these sixteen (16) standards the Company passed fourteen (14) and failed two (2). The two standards the company failed primarily dealt with failing to timely send the required notices of necessary delay in claims investigations and failure to provide claimants with the required information upon denial of claims.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the West Virginia insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

SCOPE OF EXAMINATION

The basic business areas that were examined under this examination were:

- A. Company Operations/Management
- B. Complaint Handling
- G. Claims Practices

Each business area has standards that the examination measured. Some standards have specific statutory guidance, others have specific company guidelines, and yet others have contractual guidelines. Since this was a targeted examination, only the standards, which were pertinent to the targeted examination or the treatment of third party claimants, were examined.

The examination focused on the methods used by the Company to manage its operations for each of the business areas subject to this examination. Because of the predictive value of this form of analysis, focus was then made on those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. This examination report is a report by test, rather than a report by exception, and all standards tested are described and the results indicated.

HISTORY AND PROFILE

The Company was redomesticated to Illinois from Vermont, retaining its date of incorporation as October 21, 1988. It began business December 15 of the same year, when it merged with Liberty Insurance Corporation, a Delaware corporation, incorporated in 1983, and assumed all of its business.

All of the Company's outstanding shares are held by Liberty Mutual Insurance Company. Administration of affairs of the Company is directed by the same insurance executives as those guiding the affairs of the parent company.

The Company is authorized to write most property/casualty lines of business. For 2003 workers' compensation was the largest line of direct premiums written. As of December 31, 2007 the Company maintained less than a one percent market share in commercial multi-peril (liability portion), commercial automobile liability and other commercial liabilities in West Virginia.

The Company participates in an inter-company reinsurance arrangement with other companies in the Liberty Mutual Group. The Company assumes 6% of the pooled underwriting results.

METHODOLOGY

This examination is based on the standards and tests for a market conduct examination of a property and casualty insurer found in Chapters XVI and XVII of the NAIC Market Regulation Handbook and in applicable West Virginia statutes and rules.

Some of the standards were measured using a single type of review, while others used a combination or all types of review. The types of review used in this examination fall into three general categories: Generic, Sample, and Electronic.

A "Generic" review indicates that a standard was tested through an analysis of general data gathered by the examiner, or provided by the examinee in response to queries by the examiner.

A "Sample" review indicates that a standard was tested through direct review of a random sample of files selected using automated sampling software. The sampling techniques used are based on ninety-five percent (95%) confidence level with *Poisson* distribution---meaning sample sizes are generally the same without regard to population. For evaluation purposes, an error tolerance level of seven percent (7%) was used for claims and a ten percent (10%) tolerance was used for other types of review.

An "Electronic" review indicates that a standard was tested through use of a computer program or routine applied to a download of computer records provided by the examinee. In this type of review, typically 100% of the records of a particular type are examined.

Standards were measured using tests designed to adequately measure how the Company met certain benchmarks. The various tests utilized are set forth in the NAIC Market Regulation Handbook for a property and casualty insurer. Each standard applied is described and the result of testing is provided under the appropriate standard. The standard, its statutory authority under West Virginia law, and its source in the NAIC Market Regulation Handbook are stated and contained within a bold border.

Each standard is accompanied by a "Comment" describing the purpose or reason for the standard. "Results" are indicated, examiner's "Observations" are noted, and in some cases, a "Recommendation" is made. Comments, Results, Observations and Recommendations are kept with the appropriate standard.

A. COMPANY OPERATIONS/MANAGEMENT

Comments: The evaluation of standards in this business area is based on a review of Company responses to information requests, questions, interviews, and presentations made to the examiner. Because this was a targeted examination primarily focused on Claims Handling, only two standards of this section of the NAIC Market Regulation Handbook were selected for review. These standards focused mainly on record keeping and the efficiency of the Company's responses to the examiner's requests.

Standard A 7 Records are adequate, accessible, consistent and orderly and comply with state record retention requirements.	<i>NAIC Market Regulation Handbook – Chapter XVI, § A, Standard 7.</i>
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W. Va. Code § 33-11-4 & W. Va. Code St. R. § 114-14-1, et seq.

Comments: The review methodology for this standard is generic. The standard has a direct statutory requirement. This standard is intended to assure that an adequate and accessible record exists of the Company's transactions. The focus is on the records and actions considered in a market conduct examination such as, but not limited to, trade practices, claim practices, policy selection and issuance, rating, and complaint handling, etc. Inadequate, disorderly, inconsistent, and inaccessible records can lead to inappropriate rates and other issues, which can provide harm to the public.

Results: Pass

Observations: The examiners found that Company's policy and claim files were orderly to the extent that all pertinent events could be reconstructed from the documents and notes the Company maintained.

Recommendations: None

Standard A 9 The Company cooperates on a timely basis with examiners performing the examinations. <i>W. Va. Code § 33-22-9 & W. Va. Code St. R. § 114-15-1, et seq.</i>	<i>NAIC Market Regulation Handbook – Chapter XVI, § A, Standard 9</i>
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Comments: The review methodology for this standard is generic. The standard has a direct statutory requirement. This standard is aimed at assuring that the Company is cooperating with the State in the completion of an open and cogent review of the Company's operations in West Virginia. Cooperation with examiners in the conduct of an examination is not only required by statute, it is conducive to completing the examination in a timely fashion and minimizing the cost of the examination.

Results: Pass

Observations: The Company was cooperative and the examination proceeded in a cordial atmosphere.

Recommendations: None

B. COMPLAINT HANDLING

Comments: Evaluations of the standards in this business area are based on Company responses to various requests for information and the review of the Company's complaint files. In this business area, "complaints" include "grievances." W. Va. Code § 33-11-4(10) requires the Company to "...maintain a complete record of all the complaints which it has received since the date of its last examination." The statute also requires that, "This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint," the definition of a complaint is, "...any written communication primarily expressing a grievance."

Standard B 1 All complaints are recorded in the required format on the company complaint register. <i>W. Va. Code § 33-11-4(10)</i>	<i>NAIC Market Regulation Handbook – Chapter XVI, § B, Standard 1</i>
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Comments: The review methodology for this standard is sample and generic. The standard has a direct statutory requirement. This standard is concerned with whether the Company keeps formal track of complaints or grievances as required by statute. An insurer is required to maintain a complete record of all complaints received. The record must indicate the total number of complaints since the last examination, the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.

Results: Pass

Observations: The Company registered two (2) Insurance Commissioner complaints and two (2) direct Company complaints for the examination period. The complaint register listed the policy number, insured name, complainants name, date received, reason for complaint, resolution status and resolution date. The Company complaint register was reconciled with the Insurance Commission's register without exception.

Table B 1 Complaints Sample Results

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Commissioner Complaints	2	2	0	2	0	100%
Direct Company Complaints	2	2	0	2	0	100%
Totals	4	4	0	4	0	100%

Recommendations: None

Standard B 2	<i>NAIC Market Regulation Handbook – Chapter XVI, § B, Standard 2</i>
The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.	
<i>W. Va. Code § 33-11-4(10) & W. Va. Code St. R. §114-14-5.2</i>	

Comments: The review methodology for this standard is generic. The standard has a direct statutory requirement. This standard is concerned with whether the Company has an adequate complaint handling procedure and whether the Company communicates complaint handling procedures to its policyholders. W. Va. Code § 33-11-4(10) requires all insurers to maintain a complete record of all complaints it has received since its last examination.

Results: Pass

Observations: The Company did maintain a complete record of complaints received from the Commissioner's Office and Complaints received directly by the Company. The Company's procedure is to begin processing complaints within twenty four (24) hours of receipt and to provide a response within fifteen (15) working days as required by W. Va. Code St. R. § 114-14-5.2.

Recommendations: None

Standard B 3*NAIC Market Conduct Examiners Handbook – Chapter XVI, § B, Standard 3*

The company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language.

W. Va. Code § 33-11-4(10)

Comments: The review methodology for this standard is generic. The standard has a direct statutory requirement. This standard is concerned with whether the Company has an adequate complaint handling procedure and whether the Company takes adequate steps to resolve and finalize complaints.

Results: Pass

Observations: The entire population of WVOIC complaints and internal medical grievances were tested. The results of the testing are as follows: The Company provides its complaints to the proper internal departments to finalize and dispose of the complaints in compliance with W. Va. Code § 33-11-4(10).

Table B 3 Complaints Sample Results

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Commissioner Complaints	2	2	0	2	0	100%
Direct Company Complaints	2	2	0	2	0	100%
Totals	4	4	0	4	0	100%

Recommendations: None

Standard B 4*NAIC Market Regulation Handbook – Chapter XVI, § B, Standard 4*

The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.

W. Va. Code § 33-11-4(10) & W. Va. Code St. R. § 114-14-5.2

Comments: The review methodology for this standard is sample. The standard does not have a direct statutory requirement, however, timeliness is inferred. In the case of complaints concerning claims, direct time requirements are found in regulation. This standard is concerned with whether the Company responded to complaints timely. West Virginia's complaint handling section uses a fifteen (15) working day standard for responses to complaints.

Results: Pass

Observations: The Company responded within fifteen (15) working days to the Insurance Commission complaints and direct Company complaints for all complaints received during the examination period.

Table B 4 Complaints Sample Results

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Commissioner Complaints	2	2	0	2	0	100%
Direct Company Complaints	2	2	0	2	0	100%
Totals	4	4	0	4	0	100%

Recommendations: None

G. CLAIMS PRACTICES

Comments: The evaluation of standards in this business area is based on Company responses to information requested by the examiner, discussions with Company staff, electronic testing of claim databases, and file sampling during the examination process. This portion of the examination is designed to provide a view of how the Company treats claimants and whether that treatment is in compliance with applicable statutes and rules.

Standard G 1	<i>NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 1</i>
The initial contact by the company with the claimant is within the required time frame.	
<i>W. Va. Code § 33-11-4(9) (b) & W. Va. Code St. R. § 114-14-5.1</i>	

Comments: Review methodology for this standard is generic, sample, and electronic. This standard derives directly from W. Va. Code § 33-11-4(9) (b) which prohibits, “failing to acknowledge and act reasonably upon communication with respect to claims arising under insurance policies.” W. Va. Code St. R. § 114-14-5.1 states that “every insurer, upon receiving notification of a claim shall, within fifteen (15) working days, acknowledge the receipt of such notice unless full payment is made within such period of time”.

Results: Pass

Observations: The total sample population of twenty-two (22) paid claims and thirty-one (31) closed without payment claims were reviewed to determine if the Company made timely contact with claimants. Company contact times were in compliance with State statutes, rules and regulations. No exceptions were noted.

Table G 1 Claims-Initial Contact

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Paid claims	22	22	0	22	0	100%
Third Party Claims closed without payment	31	31	0	31	0	100%
Totals	53	53	0	53	0	100%

Recommendations: None

Standard G 2*NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 2.***Timely investigations are conducted.***W. Va. Code §33-11-4(9) (c) & W. Va. Code St. R. § 114-14-6*

Comments: Review methodology for this standard is generic and sample. This standard has a direct statutory requirement. West Virginia requires a claim investigation within fifteen (15) working days of receipt of a notice of a claim. W. Va. Code St. R. § 114-14-6.1 requires that the investigation be initiated within fifteen (15) working days from receiving notice of the claim.

According to W. Va. Code St. R. § 114-14-6.7 regarding notice of necessary delay in investigating claims, if the insurer needs more than thirty (30) calendar days from receipt notice of claim from a third-party claimant to determine whether a claim should be accepted or denied, it shall so notify the claimant in writing within fifteen (15) working days after the thirty-day period expires. If the investigation remains incomplete, the insurer shall provide written notification of the delay to the claimant every forty-five (45)-calendar days thereafter until the investigation is complete. Both W. Va. Code St. R. § 114-14-8 (Emergency 2005) and W. Va. Code St. R. § 114-14-8 (Legislative 2006) allowed for a ninety-day provision for the training of adjusters on the rules. As a consequence, the examiners applied the Emergency Rule for activity on claims files occurring after January 10, 2006 and the Legislative Rule for activity occurring on or after July 24, 2006.

Claim files that did not require the notice of necessary delay because they were resolved in a timely manner were considered to be a “pass” rather than “non-applicable” for evaluation purposes of this standard.

Results: Fail

Observation: The total population sample of twenty-two (22) paid claims and thirty-one (31) closed without payment claims were reviewed to determine if the Company initiated investigations prompt and in accordance with statute. A total of nine (9) claims failed this standard because the Company failed to send appropriate notices of delay of investigation to claimants. In many cases sufficient time elapsed in the claims process so that more than one notice of delay should have been sent. As a result these nine (9) claim files, there were three (3) violations of W. Va. Code St. R. § 114-14-6.7 (Emergency 2005) and sixteen (16) violations of W. Va. Code St. R. § 114-14-6.7 (Legislative 2006). The examiner would like to note that it did not appear that these violations resulted in a significant adverse economic impact to the claimants.

Table G 2 Claims-Timely Investigation

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Paid claims	22	22	0	18	4	81%
Third Party Claims closed without payment	31	31	0	27	4	87%
Totals	53	53	0	45	8	85%

Recommendations: It is recommended that the Company send the required notices of delay of investigation to third party claimants when appropriate.

Standard G 3	<i>NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 3</i>
Claims are resolved in a timely manner	<i>W. Va. Code §33-11-4(9) (l) & (m) & W. Va. Code St. R. §114-14-6.2, 6.5 & 6.9</i>

Comments: Review methodology for this standard is generic, sample, and electronic. This standard has a direct statutory requirement. Failure to timely resolve claims can lead to administrative penalties and other actions under the provisions of the West Virginia Unfair Trade practices Act (UTPA).

Results: Pass with comment

Observations: The total population sample of twenty-two (22) paid claims and thirty-one (31) closed without payment claims were tested and a time study performed to determine if claims were resolved timely. Resolution time was measured in working days from the time the claimant provided all necessary information to investigate and settle the claim.

Table G 3 Claims-Timely Resolution

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Paid claims	22	22	0	22	0	100%
Third Party Claims closed without payment	31	31	0	31	0	100%
Totals	53	53	0	53	0	100%

Recommendations: It is recommended that the Company advise all known claimants of the file being closed; giving the date the file will be closed. It is also recommended that the Company advise the statute of limitations information prior to closing the file.

Standard G 4	<i>NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 4.</i>
The regulated entity responds to claim correspondence in a timely manner.	<i>W. Va. Code § 33-11-4(9)(b) & W. Va. Code St. R. §114-14-5</i>

Comments: Review methodology for this standard is generic and sample. This standard has a direct statutory requirement. This standard derives directly from W. Va. Code § 33-11-4(9)(b) which prohibits, “failing to acknowledge and act reasonably upon communication with respect to claims arising under insurance policies.” West Virginia requires responses to claim communications within fifteen (15) working days of receipt of the communication.

Results: Pass

Observations: The total population sample of twenty-two (22) paid claims and thirty-one closed without payment claims were reviewed to determine if the Company promptly responded to correspondence received. No exceptions were noted.

Table G 4 Claims-Claims Correspondence

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Paid claims	22	22	0	22	0	100%
Third Party Claims closed without payment	31	31	0	31	0	100%
Totals	53	53	0	53	0	100%

Recommendations: None

Standard G 5

NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 5

Claim files are adequately documented.

W. Va. Code St. R. §114-14-3.1

Comments: Review methodology for this standard is generic, sample, and electronic. This standard has a direct statutory requirement. Without adequate documentation, the various time frames required by statute and/or regulation cannot be demonstrated. West Virginia requires that an insurer's claim files shall contain all notes and work papers pertaining to the claim in such detail such that pertinent events and the dates of such events can be reconstructed.

Results: Pass

Observations: The total population sample of twenty-two (22) paid claims and thirty-one (31) closed without payment claims were reviewed to determine if documentation supported the ultimate claim determination. In one of the twenty-three (23) paid claim files, the Company failed to adequately document activities relating to the claim. In the remaining paid and closed without payment claims, the examiner found that all claim files contained the necessary detail as to allow pertinent events and the dates of such events of the claim to be reconstructed.

Table G 5 Claims Adequate Documentation

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Paid claims	22	22	0	22	0	100 %
Third Party Claims closed without payment	31	31	0	31	0	100%
Totals	53	53	0	53	0	100 %

Recommendations: None

Standard G 6

NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 6

Claims are properly handled in accordance with policy provisions and applicable statutes, rules and regulations. *W. Va. Code § 33-11-4(9) & W. Va. Code St. R. § 114-14-1, et seq.*

Comments: Review methodology for this standard is generic and sample. This standard has a direct statutory requirement. Concerns tested with this standard include:

- That claim handling meets West Virginia statutes and rules as applied to sales tax payment, correct payees, improper release of claims, and proper payment of non-disputed claims.
- That coverage was checked for proper application of exclusionary language.
- That appropriate disclosures are given when a claim nears the applicable statute of limitations.

Results: Pass

Observations: The total population sample of twenty-two (22) paid claims was reviewed and determined to be in accordance with State law and policy provisions including settlement times and settlement amounts. No exceptions were noted

Table G 6 Claims-Claims Settlement

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Paid claims	22	22	0	22	0	100 %

Recommendations: None

Standard G 7 *NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 7.*
Regulated Entity claim forms are appropriate for the type of product.

Comments: Review methodology for this standard is generic. This standard does not have a direct statutory requirement.

Results: Pass

Observations: The samples of twenty-two (22) paid claims and thirty-one (31) closed without payment claims were reviewed and it was determined there were no inappropriate claim forms used.

Recommendations: None

Standard G 9 *NAIC Market Regulation Handbook – Chapter XVI, §G, Standard 9*
Denied and closed-without-payment claims are handled in accordance with policy provisions and state law. *W. Va. Code § 33-11-4(9) (e) & (n) & W. Va. Code St. R. § 114-14- 6.17,6.3. 3, 6. 4 & 6.11*

Comments: Review methodology for this standard is generic. This standard has a direct statutory requirement. Concerns tested for this standard include:

- Notices of claim denials reference specific policy provisions or exclusions.
- Claimants are provided with a reasonable basis for the denial when required by statute or regulation.
- Claimants are advised of expiration of the statute of limitations in accordance with W. Va. Code St. R. § 114-14- 6.11
- Denied and closed-without-payment claims are based on policy provisions and comply with West Virginia statutes and regulations. W. Va. Code St. R. § 114-14-6.17 states the following:

Any notice rejecting any element of a claim shall contain the identity and the claims processing address of the insurer and the claim number. The notice must state that the claimant has the option of contacting the Commissioner. The notice must provide the Commissioner's mailing address, telephone number and website address.

Results: Fail

Observations: The total population sample of thirty-one (31) claims that were either denied or closed-without-payment during the examination period was reviewed for the above listed criteria. Five (5) third party claim denial notices did not contain the required contact information and thus were not in compliance, violation of W. Va. Code St. R. § 114-14-6.17 (2006 Legislative). In two (2) of the five (5) CWOP claims, the Company failed to advise the claimant of the statute of limitations as required by W. Va. Code St. R. 114-14-6.11.

Table G 9- Claims-Closed Without Payment Sample Results

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Claims closed without payment	31	31	0	26	5	83%

Recommendations: It is recommended that the Company include in all claim denial letters the contact information required by West Virginia Code State R. § 114-14 -6.17. It is also recommended that the Company advise the claimant in the event no denial letter is sent, that the claim file is being closed.

Standard G 10

NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 10

Canceled benefit checks and drafts reflect appropriate claim handling practices.

W. Va. Code § 33-11-4(9) & W. Va. Code St. R. § 114-14-1, et seq.

Comments: Review methodology for this standard is electronic and sample. The concerns tested for this standard include:

- This standard has a direct statutory requirement that cancelled benefit checks include the correct payee and are for the correct amount.
- That payment checks do not indicate the payment is “final” when such is not the case.

- That checks or drafts do not purport to release the insurer from total liability when such is not the case.

Results: Pass

Observations: The sample of twenty- two (22) paid claims was reviewed. . Checks were in the correct amount and included the correct payee. No exceptions were noted.

Table G 10 Claims Sample Result

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Third Party Paid claims	22	22	0	22	0	100%

Recommendations: None

Standard G 11	<i>NAIC Market Regulation Handbook – Chapter XVI, § G, Standard 13</i>
Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.	
	<i>W. Va. Code § 33-11-4(9)(g)</i>

Comments: Review methodology for this standard is generic. This standard has a direct statutory requirement although compliance with this standard is usually judgmental rather than objective, especially as it pertains to third party claimants. The primary concern tested was that the Company processes and handles the claim appropriately and does not compel the claimant to institute a lawsuit to effect an appropriate settlement of the claim.

Results: Pass

Observations: Litigated claim testing did not indicate any problematic claim handling practices. No exceptions were noted.

Table G 11 Litigated Claims

Type	Population	Sampled	N/A	Pass	Fail	%Pass
Litigated claims	3	3	0	3	0	100%

Recommendations: None

Standard G 12	<i>NAIC Market Regulation Handbook – Chapter XVII, §G, Standard 1</i>
Regulated Entity uses the reservation of rights and excess of loss letters, when appropriate.	
	<i>W. Va. Code § 33-11-4(9) (e) & W. Va. Code St. R. § 114-14-6. 5</i>

Comments: Review methodology for this standard is sample and generic. This standard has a direct statutory requirement. Concerns tested for this standard include:

- The Company has reason to question coverage and has sent a reservation of rights letter.

- The Company sends an excess of loss letter when it is apparent that the loss will exceed policy limits.

Results: Pass

Observations: The total population sample of twenty-three (23) paid claims and thirty-one (31) closed without payment claims were reviewed to determine if the Company advised claimants, when necessary, of its reservation of rights or the potential of a claim being in excess of loss allowed under policy provisions. The Company issued reservation of rights and excess of loss letters where appropriate, no exceptions were noted.

Recommendations: None

CONCLUSION

The examination found ten (10) claim files contained three (3) violations of W. Va. Code St. R. § 114-14-6.7 (Emergency 2005) and sixteen (16) violations of W. Va. Code St. R. § 114-14-6.7 (Legislative 2006) (Standard G-2). The frequency of these violations was sufficient to fail the standard using tolerance level set forth in the Chapter 15 NAIC Market Regulation Handbook. The Company also had one violation of W. Va. Code St. R. § 114-14-3 (Standard G-5). The examination also revealed five (5) violations of W. Va. Code St. R. § 114-14-6.17 which again occurred with such frequency to fail the standard. (Standard 9). Two (2) of the five (5), Standard 9 violations, also violated W. Va. Code St. R. § 114-14-1

LIST OF RECOMMENDATIONS

Recommendation G-2

It is recommended that the Company send the required notices of delay of investigation to third party claimants when appropriate. It is further recommended that the Company conduct additional training for its West Virginia adjusters on W. Va. Code St. R. § 114-14-6.7 (Legislative 2006).

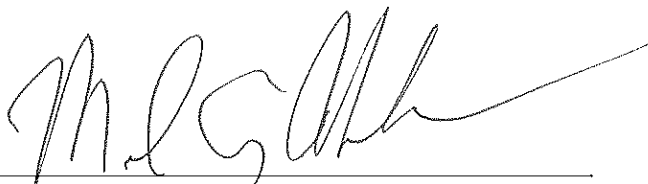
Recommendation G-9

It is recommended that the Company include in all claim denial letters the contact information required by West Virginia Code State R. § 114-14-6.17. It is also recommended that the Company send the appropriate disclosures when a claim nears the applicable statute of limitations as required by W. Va. Code St. R. § 114-14-6.11.

EXAMINER'S SIGNATURE AND ACKNOWLEDGMENT

The examiner would like to acknowledge the cooperation and assistance extended by the Company during the course of the examination.

In addition to the undersigned, JoAnn Wheaton, CFE (Fraud), of Huff Thomas and Company also participated in the examination.

A handwritten signature in black ink, appearing to read 'M. Hooker', with a long horizontal flourish extending to the right.

Mark A. Hooker, AIE, CPCU, MCM, CWCP, AAI, AU, AIS, LUTCF
Examiner-in-Charge

EXAMINER'S AFFIDAVIT

State of West Virginia

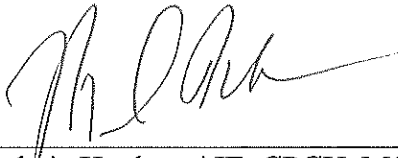
County of Kanawha

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES USED IN AN EXAMINATION

I, Mark A. Hooker, being duly sworn, states as follows:

1. I have the authority to represent West Virginia in the examination of Liberty Insurance Corporation. .
2. I have reviewed the examination work papers and examination report, and the examination of Liberty Insurance Corporation was performed in a manner consistent with the standards and procedures required by West Virginia.

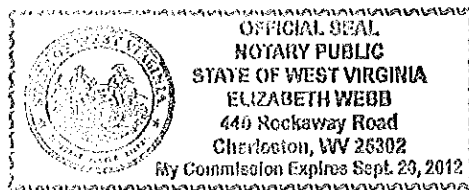
The affiant says nothing further.



Mark A. Hooker, AIE, CPCU, MCM, CWCP, AAI, AU, AIS, LUTCF
Examiner in Charge

Subscribed and sworn before me by Mark A. Hooker on this 5th day of September, 2008.

(SEAL)




Notary Public

My commission expires Sept. 26, 2012 (date).